

**BELLSOUTH**  
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EX PARTE OR LATE FILED

October 30, 1996

Mr. William F. Caton  
Acting Secretary  
1919 M Street, NW, Room 222  
Washington, DC 20554

RECEIVED  
OCT 30 1996  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

*Re: CC Docket No. 96-45, Federal-State Joint Board on Universal Service*

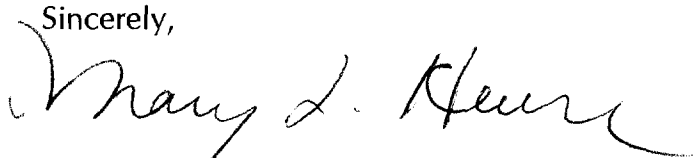
Dear Mr. Caton:

On behalf of the joint signatories on the attached letter, BellSouth hereby submits for the record this letter and the attached joint signatory letter to Chairman Hundt, Commissioners Rachelle B. Chong and Susan Ness, and Joint Board Members Martha Hogerty, Julia Johnson, Kenneth McClure, Sharon L. Nelson, and Laska Schoenfelder.

Pursuant to Section 1.1206(a)(1) of the Commission's Rules governing written *ex parte* presentations, two copies of this letter and the attached letter, are provided for inclusion in the public record in the above-referenced proceeding.

Should you have any questions regarding this matter, please contact me.

Sincerely,



Mary L. Henze  
Assistant Director - Policy Analysis

Attachment

cc: Members of the Joint Board  
Joint Board Staff

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041

October 30, 1996

*Ex Parte*

The Honorable Reed Hundt, Chairman  
The Honorable Rachelle B. Chong  
Ms. Martha S. Hogerty  
The Honorable Julia Johnson  
The Honorable Kenneth McClure  
The Honorable Sharon L. Nelson  
The Honorable Susan Ness  
The Honorable Laska Schoenfelder  
c/o The Federal Communications Commission  
1919 M Street, NW  
Washington, DC 20554

*Re: CC Docket No. 96-45, Federal-State Joint Board on Universal Service*

Dear Members of the Joint Board,

The Joint Board's recommendation on Universal Service for Education will have a significant impact on the access to and use of telecommunications in schools and libraries throughout the United States. In recognition of the importance of this proceeding, we have all been active participants, as individual companies, in discussions of the many important issues involved. As the deadline for input approaches, and particularly in light of the attention being given the Administration's recent proposal, we offer the following comments and recommendations.

In general, we believe that a two-tier approach, such as developed by NTIA/DOE/USDA, could provide a reasonable framework from which to derive a viable mechanism for implementing the Snowe-Rockefeller provisions. The

distinction between a single basic connection and additional services is, for example, a constructive one. We note, however, that the NTIA proposal is silent on several elements critical to successfully enhancing telecommunications access in schools and libraries in a manner that would be consistent with, and take full advantage of, the operation of a competitive marketplace. Until these details are fleshed out it is very difficult to fully evaluate the proposal.

However, we do have several concerns which apply not only to the Administration's proposal but would be applicable as well to any proposal the Joint Board might ultimately recommend.

First, as a matter of principle, we do not agree with the concept of mandating the provision of services to schools and libraries for free. Doing so could seriously distort both market and customer decision-making dynamics and reduce incentives on the part of schools and libraries to develop efficient networking plans and steward the use of services once installed. Nor was it the intent of Congress, in our view, to create a system whereby services are provided at no charge. We recommend that the Joint Board consider a methodology that allows schools to retain some financial stake in their purchase decisions.

Second, pricing and reimbursement details, including the concept and mechanics of establishing "bid ceilings," are of concern. A key objective of the Act is to reduce the price schools and libraries must pay for access to telecommunications. Achieving that objective, however, should not require setting artificial limits on prices that could discourage market entry and hence chill the growth of competition in the education-library market. There is no inconsistency between providing schools with discounts sufficient to ensure affordable access while also providing full reimbursement to telecommunications providers. Telecommunications carriers that provide services to schools and libraries are entitled by the Act to receive or be reimbursed from the fund up to an amount that is equal to the market price they would otherwise charge. The Joint Board should specify a mechanism that ensures full compensation occurs.

Third, we are opposed to any proposal which would expand the definition of eligible services to include information services, such as Internet, and facilities such as inside wire that are not within the definition of telecommunications services under the Act. Their inclusion would a) increase the size of the fund, and b) conflict with the Act insofar as it restricts reimbursements to telecommunications carriers. Both Internet services and inside wire are competitively provided by a multitude of market participants, many of which are not telecommunications carriers. We recommend that the Joint Board instead encourage solutions outside of the fund mechanism such as NetDay programs, Section 708 mechanisms, and other Federal or local initiatives.

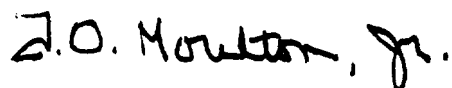
Additionally, we believe that, for whatever plan is implemented, the Joint Board and FCC should require that contributions made by carriers to the Universal Service Fund for education be recovered as a surcharge on customer bills in an explicit and competitively neutral manner.

We appreciate the opportunity to express our views and look forward to working with the Joint Board, the FCC, and other interested stakeholders in developing a viable plan to implement this important provision of the Telecommunications Act.

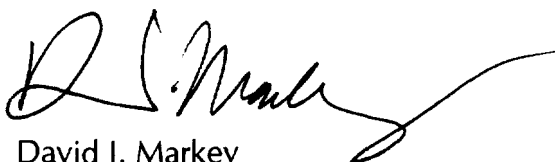
Sincerely,



Gary Lytle  
Vice President - Federal Relations  
Ameritech



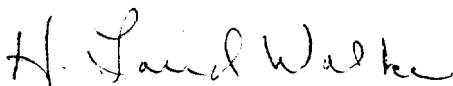
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cc: Joint Board Staff